

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

COT/W/39

3 December 1964

Special Distribution

COTTON TEXTILES COMMITTEE

Points Raised During the Second Annual Review of the Long-Term Arrangement

Points raised for consideration

1. Notwithstanding the statement made in paragraph 17 of the Record of Understandings reached by the Committee during its meeting of 29 January to 9 February 1962, the minimum commitment undertaken by the European Economic Community has not in fact been exceeded.
2. Quotas in the European Economic Community have been established for textile products as a whole and it is not easy to separate quotas for cotton textiles from other textiles. Ambiguity exists as to how the 12,000 tons in 1967 of imports subject to restrictions will be shared among member States.
3. A measure of tariff relief in the European Economic Community countries would enable less-developed countries to earn more foreign exchange from cotton textiles.
4. Following the principle accepted by the United States and the United Kingdom, the countries of the European Economic Community should agree to the quota system being operated at the exporting end in order to enable exporting countries to fill quotas.
5. Under bilateral arrangements the aggregate level of restraint has been divided into such a large number of categories that the exporters are left with little room for diversifying their exports. Many countries are not able to plan their exports for every item several years ahead (see also specific suggestions in paragraph 3 below).
6. Where restraint is exercised for more than one product the exporting country should be permitted to exceed, by a minimum of 30 per cent, the agreed level for any product provided that the aggregate restraint level for all products is not exceeded.
7. Shipments in excess of restraint levels.
8. The circumvention and negation of export restrictions by trans-shipments and third country transactions.
9. The invocation by exporting countries of restraint levels which are no longer needed with the object of taking advantage of the flexibility provisions of paragraph 4 of Article 3.

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10. Delay in receiving replies from exporting countries to which requests for restraints have been made.

11. The implementation of the equity provisions of the Arrangement relating to non-participants.

Suggestions

1. As a measure of assistance to the export promotion efforts of less-developed countries, an understanding should be reached to the effect that Article 3 should not, as far as possible, be invoked during the remaining period of operation of the Long-Term Arrangement. Such understanding could be conditioned by the exporting countries undertaking to keep a watch on exports with a view to avoiding sudden and sharp increases and the importing countries agreeing to the sparing use of Article 3 recognizing the need for less-developed countries to earn foreign exchange from cotton textiles.

2. In order to bring the operation of the Arrangement more in line with the spirit and the objectives of the Arrangement the definition of market disruption set out in Annex C should be examined so as to establish some broad rules to enable both the exporting and the importing countries to determine whether or not the market of the importing country is being disrupted or is in threat of disruption. It is not necessary to seek an amendment of Annex C, but only an informal agreement on broad guide-lines which would enable the parties to conduct their negotiations in the light of some objective criteria.

3. In order to introduce an element of flexibility and to assist the export performance of less-developed countries, quotas should, as far as possible, be on an overall basis. If this is not possible, quotas should be on the basis of groups of categories.

4. Textile products manufactured out of hand-made fabrics should be treated on a par with handloom fabrics.

5. The major review at the end of the third year of the life of the Arrangement should be carefully prepared, and instructions given to the secretariat for this purpose, including:

- (i) detailed analysis of the operation of the Arrangement in the first three years of its existence;
- (ii) description of developments in production of and trade in cotton textiles during those three years;
- (iii) further work on reviewing structural changes in productive capacity, production, etc.

6. The question of sub-division of categories should be taken up at technical level during the major review session next year.

7. Information should be collected under Article 8(a) on restrictions maintained on trade in cotton textiles outside the provisions of the Arrangement.